

P-404, 421, 430, 407, 405, 426/CP-89-1039 ORDER SETTING DEADLINE
FOR REVISED COST STUDIES AND PROPOSED RATES AND REQUIRING LOWER
COST ALTERNATIVE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Thomas Burton
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Norma McKanna

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for
Extended Area Service Between
the Monticello Exchange and the
Minneapolis/St. Paul
Metropolitan Calling Area

ISSUE DATE: April 10, 1992

DOCKET NO. P-404, 421, 430, 407,
405, 426/CP-89-1039

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PROCEDURAL HISTORY

I. Proceedings To Date

On October 1, 1990, the Commission issued an Order in this matter directing Bridge Water Telephone Company (Bridge Water), the local exchange company (LEC) for Monticello, and the LECs serving the petitioned metropolitan calling area (MCA) to file cost studies and proposed rates within 60 days. The Commission directed the Minnesota Department of Public Service (the Department) to file its reports and recommendations on those cost studies and proposed rates within 45 days thereafter.

By early December 1990, all required cost studies and proposed rates were filed.

On January 22, 1991, the Department requested additional time to file its report and recommendation. The Department explained that it had been unable to devote the necessary time to the Monticello docket due to the priority given dockets subject to the July 1, 1991 legislative deadline. On February 27, 1991, the Commission granted the Department's request, extending the time for filing the report 60 days beyond the date of the Order.

On February 28, 1991, the Department informed the Commission that it could not complete its report because Bridge Water's and USWC's cost studies assumed different toll meet points. USWC and Bridge Water's use of inconsistent meet points infected the cost studies and proposed rates filed by all the other companies as well.

On May 30, 1991, the Department asked the Commission for a 90-day extension so that it could analyze the meet point issue contained in the cost studies.

On July 16, 1991, the Commission issued an Order requiring USWC and Bridge Water to meet to resolve the meet point issue and directed the involved telephone companies to refile their cost studies and proposed rates within 30 days after USWC and Bridge Water agreed upon a meet point. If the companies were unable to agree on the meet point, the Order directed them to report their disagreement to the Department by August 16, 1991 and to submit their positions to the Department in writing by September 2, 1991. It further required the Department to file a report and recommendation regarding the meet point issue within 30 days thereafter.

On September 3 and 6, 1991, respectively, USWC and Bridge Water informed the Commission that they had not resolved the meet point issue and filed summaries of their positions.

On November 19, 1991, the Commission granted the Department a 30-day extension to allow the parties to resolve the meet point issue without a contested case hearing.

On December 20, 1991, the Department requested a two week extension and on January 13, 1991, the Commission granted the request and directed the Department to file its report and recommendation regarding the meet point issue on or before January 27, 1992.

On January 27, 1992, the Department filed a letter informing the Commission that USWC and Bridge Water reached agreement on the meet point issue on January 14, 1992. Pursuant to the Commission's July 16, 1991 Order in this matter, revised cost studies and proposed rates using that agreed meet point were due from all the involved telephone companies within 30 days of that agreement, i.e. on or before February 14, 1992.

On February 6, 1992, USWC filed a letter indicating that it would file its revised cost studies and proposed rates for the Monticello petition within 75 days after the Commission's January 29, 1991 Order which denied reconsideration of the Commission's November 26, 1991 Order in Docket No. P-401/CP-89-951, the Hokah case. In addition, USWC indicated that its revised cost studies and proposed rates would exclude its toll contribution for toll routes where USWC serves as the toll provider between independent exchanges.

On February 12, 1992, Vista Telephone Company (Vista) requested an extension until April 10, 1992 and United Telephone Company (United) filed a request for a time extension until April 13, 1992 to file its cost studies and proposed rates.

On February 13, 1992, Bridge Water filed its cost studies and proposed rates and noted that it was updating its traffic information.

On February 19, 1992, Eckles requested a time extension to file its cost studies and proposed rates.

On February 26, 1992, the City of Monticello filed a letter encouraging the Commission to expedite its processing of the Monticello petition.

On February 27, 1992, Bridge Water filed an objection to the methodology USWC indicated it would use to develop cost studies and proposed rates for the Monticello to MCA route. Bridge Water argued that USWC wrongly assumed that its toll contribution was to be excluded from calculation of Monticello's EAS rates.

On March 9, 1992, Commission Staff established a comment period ending April 13, 1992 and a reply comment period ending April 27, 1992 for interested parties to comment on Bridge Water's February 27, 1992 filing.

On March 31, 1992, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

II. Commission Action

To expedite this matter while thoroughly preparing for critical decisions in this docket, the Commission treats four issues as follows:

Further Report On Meet Point Issue Unnecessary

For several months, the failure of USWC and Bridge Water to agree on a meet point stalled progress in this matter. Disagreement on the meet point issue between USWC and Bridge Water meant that the cost studies of all parties were askew. In its January 13, 1992 Order, the Commission prepared to break this logjam and directed the Department to file a report recommending action to resolve this issue if the companies were unable to resolve this issue themselves by January 27, 1992.

On January 14, 1992, USWC and Bridge Water agreed upon a meet point rendering it unnecessary for the Commission to receive a recommendation from the Department on how to resolve this issue. Therefore, the Commission will vacate its January 13, 1992 directive to the Department to file recommendations with respect to this issue.

New Deadline for Cost Studies and Proposed Rates

Following resolution of the meet point dispute between USWC and Bridge Water, the time for filing revised cost studies and proposed rates using that meet point was governed by the Commission's July 16, 1991 Order. In Ordering Paragraph 2 of that Order, the Commission indicated that following agreement on the meet point issue the following timelines would apply:

- a. The companies were required to submit any revised cost studies and proposed rates within 30 days of the date the meet point was agreed upon.
- b. The Department was required to submit its report and recommendation within 60 days of receipt of the revised cost studies and proposed rates.
- c. Other parties were required to file any comments within 20 days of the filing of the Department's report and recommendation.

Between the meet point agreement date, January 14, 1992 and February 14, 1992, the date cost studies and proposed rates were due from all the involved companies, Bridge Water had filed its cost studies and proposed rates and requests for time extension had been filed by USWC, United, and Vista. Eckles filed a time extension request on February 19, 1992. The other telephone companies involved in this matter, Scott-Rice and GTE Minnesota, filed nothing.

United, Vista, and Eckles noted that their cost studies and proposed rates must adjust for more than the meet point. Recently developed changes in cost study methodology have rendered their previous cost studies and proposed rates unusable. In addition, the companies cited the complexity of the current MCA as reason for needing the additional time. USWC did not explain its need for additional time, but indicated that it can provide its revised cost studies and proposed rates at approximately the same time as the other companies.

The companies' currently filed cost studies and proposed rates were filed in December 1990. They are clearly out of date and require substantial revision. To allow the companies adequate time to bring their cost studies and proposed rates up to current standards for reliability, the Commission will extend the time for revising these items. However, at this point the companies have had extensive opportunity to complete this work. In light of the urgency for progress in this matter, the Commission will set a date certain for receipt of those revised filings: April 13, 1992.

Comment Sought on "Affected Telephone Company" Issue

In its February 6, 1992 filing, USWC asserted that it was not an "affected telephone company" under Minn. Stat. § 237.161, subd. 3 (b) (1990) for routes where it served as a toll provider between

exchanges served by ILECs. USWC stated that its proposed rates for such routes in this docket would consequently not include its toll contribution. As authority for this position, USWC cited the Commission's January 29, 1992 Order in Hokah et al. P-401/CP-89-951 etc.

Bridge Water objected to USWC's announced position. Bridge Water argued that the Hokah decision did not control in this docket because Hokah was limited to *interLATA* EAS routes while the Monticello-MCA routes in this docket were all *intraLATA*. Bridge Water stated that USWC was properly seen as an "affected telephone company" for the *intraLATA* routes involved in the Monticello petition.

The Commission has noticed a comment and reply period regarding this issue. Before deciding this issue, the Commission will review the comments filed by interested parties through April 13, 1992 and any replies filed on or before April 27, 1992. Given this timetable, the Commission will be prepared to determine this issue as part of its consideration of the companies' cost studies and proposed rates.

Bridge Water to File Lower Cost Alternative

The EAS statute states that for EAS petitions to the Minneapolis/St. Paul MCA the telephone company serving the petitioning exchange must make local measured service or "another lower cost alternative to basic flat-rate service available to customers in the petitioning exchange." Minn. Stat. § 237.161, subd. 1 (3) (c) (1990). The Commission prefers that the rate for the lower cost alternative to EAS appear on the EAS ballot to provide subscribers with information relevant to their choice.

To date, Bridge Water has not filed its proposed lower cost alternative. To advance the consideration of this proposal hopefully in time to allow it to appear on the EAS ballots, the Commission will require Bridge Water to file its proposed lower cost alternative by May 27, 1992. The Department will be required and other parties allowed to comment upon this proposal on or before June 26, 1992.

ORDER

1. Ordering Paragraph 1 of the Commission's January 13, 1992 Order in this matter is vacated. The Department of Public Service (the Department) is no longer required to file a report and recommendation regarding resolution of the meet point dispute between U S West Communications, Inc. (USWC) and Bridge Water Telephone Company (Bridge Water).
2. On or before April 13, 1992, USWC, Bridge Water, United Telephone Company (United), Vista Telephone Company (Vista), Eckles Telephone Company (Eckles), Scott-Rice Telephone Company (Scott-Rice), and GTE Minnesota, Inc. (GTE Minnesota) shall file

- a. comments upon Bridge Water's February 27, 1992 filing;
 - b. cost studies that meet the requirements of Minn. Stat. § 237.161, subs. 2 and 3, use uniform and reliable traffic study methodologies recently developed by the industry in conjunction with the Department, and use estimated traffic to the New Prague, Cologne, Waconia, and Belle Plaine exchanges that will be added to the MCA in July 1992; and
 - c. proposed rates.
3. On or before April 27, 1992, parties may file replies to the comments filed regarding Bridge Water's February 27, 1992 filing.
4. On or before May 27, 1992, the Department shall file with the Commission and serve upon the petition sponsor and the telephone companies serving the Monticello exchange and the MCA exchanges, a copy of its report and recommendation regarding Bridge Water's February 27, 1992 filing and the companies' cost studies and proposed rates. The Department's report and recommendation shall include rates that it recommends be included on the ballots.
5. On or before May 27, 1992, Bridge Water shall file its proposed lower cost alternative to mandatory flat-rate EAS and serve copies of that proposal on the Department and the petition sponsor.
6. On or before June 26, 1992, the Department shall file comments regarding Bridge Water's proposed lower cost alternative.
7. On or before June 26, 1992, any interested party may file final comments upon
 - a. Bridge Water's lower cost alternative;
 - b. the report and recommendation filed by the Department pursuant to Ordering Paragraph 4; and
 - c. any other matters related to this EAS petition.
8. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)